APPENDIX - IV

MAHARSHI DAYANAND SARASWATI UNIVERSITY, AJMER

Outline of Proposed Revised Research Work

1. Name(In English) : Bal Kishan Vaishnav

   (In Hindi) : बालकिशन वैष्णव

1. Title of Research (English) : **A Study of Indian Accounting Standards assessment and their adoption in view of corporate reporting practices**

2. Title of Research (In Hindi) : भारतीय लेखा मानकों के मूल्यांकन तथा उन्हें कॉरपोरेट रिर्पोटिंग प्रक्रिया के संदर्भ में अपनाए जाने का एक अध्ययन

3. Location

   a. Institution where the work is to be done : **Shri Govind Singh Gurjar Government College Nasirabad,**

b. Geographical Area of Investigation : Indian corporate sector in various areas.

Introduction

Accounting Standards are written policy documents issued by expert accounting body or by government or other regulatory body covering the aspect of recognition, measurement, presentation and disclosure of accounting transactions in the financial statement. The Accounting Standards reduce the accounting alternatives in the presentation of rational financial statement thereby ensuring comparability of financial statement of different enterprises. Complete, fair and reliable corporate financial information is dire need of this competitive global era for welfare of all the stakeholders and general public, that's annexed to corporate concern directly and indirectly. Providing true and reliable corporate information is first and most responsibility of corporate sector. Investor's decisions making depends on corporate financial disclosures. Malpractices are seen occasionally in these arenas, big variations exists between rules, regulations and their actual follow-up practices in spite of guidance of Indian accounting standards. There are also provisions of imposing penalties in Indian companies act 1956 and 2013. Although corporate concerns are bearing penalties in lieu of breaking these rules and regulations, yet doesn't

provide correct information about corporate disclosures due to their mollified intentions. This research is a humble work to check the adoption of Indian accounting practices in view of checking variations arisen between actual practices adoption and standard rules and regulations. This work is to be executed with the help of observations of corporate financial statements, annual reports, conducting physical survey and organizing personal interviews. This research may be helpful for all the stakeholders, which demands correct financial information. It is well known fact that there are 33 Indian Accounting Standards (IAS) established by Indian Accounting Standards Board (ASB) to remove variations for resolving several accounting and financial problems and to move towards standardization practices. ASB intent to harmonize the diverse accounting policies followed in the preparation and presentation of financial statement by different corporate, so as to facilitate intra-firm and inter-firm comparison. Although all the accounting Standards may not be applicable in all companies. As per their limitations, these are divided into mandatory and voluntary. It is generally seen, corporate concern are not following properly IAS in their practices. To trace out reasons for the same, will be essence of this research study.

Importance of Proposed Investigation

Indian Accounting Standards provides reliable and relevant information to the different stakeholders for their financial and investment decision making. Through adoption of corporate disclosure practices, a proper recording and classification of economic and financial transactions in particular business can be followed in its truest manner. This adds a fair and transparent image of the business and authentic operational results over a period of time can be provided. The future trends of business can also be estimated with greater accuracy, if

the financial disclosure is prepared as per rule and regulations. Thus, it can be firmly stated that corporate sector should include all type of required financial and other information in its truest sense which is relevant for various interested stakeholder groups.

Today, transparency is realizing in its new meaning of more comprehensive and proactive disclosure instead of the release of corporate governance policies in a cosmetic way. The new concept of transparency putting more responsibilities on the corporate not only let the truth be available to the public but imposes to disclose it to different stakeholder groups.

Transparency and disclosure (T&D) are essential elements of a robust corporate governance framework, as they provide the strong base for investment decision making by shareholder, stakeholder and potential investors in relation to capital allocation, corporate transaction and financial performance monitoring. Indian accounting standards may help in this endeavor.

The wider recognition of social responsibility of business for the last few decades has important implications of IAS in view of corporate disclosure practices. This has emphasized the efficient allocation of society's resources and wealth. Now, groups other than shareholder such as employees, local communities, social groups and the general public have also interested to get the reliable information through the fair and transparent corporate financial disclosures. This research study may prove beneficial for overall society, as it may be meaningful research to trace out reasons of variations between rule, regulation and their follow-up practices adopted by corporate sector.

Objectives

The Research objectives help the researcher to avoid the collection of data which are not strictly necessary for understanding & solving problem that has defined. This research study will be conducted for fulfilling following objectives-

- To check the variances between adopted and actual practices of Indian Accounting Standards by Indian corporate sector.
- To suggest ways for making financial statements more meaningful and comparable.
- To study for resolving conflict of financial interest among various stakeholders.
- To assess and compare the intensity of transparency in disclosure reporting practices adopted by selected Indian companies.
- To provide a "standard model" of accounting policies, valuation, norms and discloser requirement for Indian companies as per identification of weakness.

Review of Literature

Literature review means to in-depth study of different research articles, books and information about the subject of chosen research work. The main objective this study is to analyze the disclosure practices adopted by Indian companies. For this purpose, a review of concepts, finding and conclusions of the past relevant studies in context to corporate disclosure will be executed.

Parmanand, B. and Saxena, S. (1973) compared Indian Accounting Standards and International Accounting Standards and their real follow-up by survey of multinational corporate concern. The study found that the right information doesn't provided by corporate concern. There was big variation between standards and real follow up. Buzby, S.L. (1975) examined the association between the extent of disclosure in

annual reports and two company characteristics - asset size and listing status. He used the scores assigned by the security analysts to 39 items of information for calculating the relative disclosure for each of the 88 companies of the sample. The results showed that the extent of disclosure was not affected by the listing status of the companies. Cooke, T.E. (1992) examined the association between the levels of disclosure and three corporate attributes - size, listing status and nature of industry- for 35 Japanese companies. He constructed an index of disclosure consisting of 165 items, which consisted of both statutory and voluntary items of information. He analyzed the disclosure levels of Japanese companies using the annual reports of companies for the year 1988. This study was a unique one in the sense that the size of the company was measured in terms of a composite variable i.e., a linear combination of eight alternate indicators of size - capital stock, turnover. Number of shareholders, total assets, current assets, fixed assets, shareholders funds and bank borrowings. He concluded that the extent of disclosure was positively and significantly associated with three explanatory variables - size, listing status and nature of industry. Rathinam, B. I. (1996) has made a comprehensive study about disclosure practices of Indian companies. Using an index of disclosure consisting of 114 items, he measured the disclosure of statutory and voluntary items of information in the annual reports of 160 companies - 146 private sector and 14 public sector companies. He examined the relationship between various corporate attributes disclosure, and disclosure practices of companies regarding certain contemporary issues in financial reporting like Social Responsibility Accounting, Human Resource Accounting, Value Added Statement etc. Thereafter, he collected data from three user groups' corporate executives, corporate auditors and investors through 3 sets of questionnaires. The study revealed that companies should give more emphasis on the disclosure of

statutory information. The voluntary information is not given significant attention by the companies. Companies, which belong to different age, profitability, asset size, turnover and existence of collaboration, have different disclosure scores.

Healy and Palepu (2001) discussed three proxies for voluntary disclosure used in prior studies: management forecasts, the association for investment management and research scores, and self-constructed measures (disclosure indices). Christian Leuz (2001), this study investigates whether firms using U.S. generally accepted accounting principles (GAAP) vis-`a-vis international accounting standards (IAS) exhibit differences in several proxies for information asymmetry. Jermakowicz, K.and Gornik, Sylwia. (2002) this study examines implementation of International Financial Reporting Standards by European Union (EU) companies. Aljifri, K. (2008) examined the extent of disclosure in annual reports of 31 listed firms in the UAE for the fiscal year 2003, and revealed to determine the underlying factors that affect the level of disclosures. It also revealed to establish whether differences exist between the UAE sectors. This study hypothesized that four main factors would affect the extent of disclosure in the UAE, namely, the sector type (banks, insurance, industrial, and service), size (assets), debt equity ratio, and profitability. Significant differences were found among sectors; however, the size, the debt equity ratio, and the profitability were found to have insignificant association with the level of disclosure.

Bauwhede, H. V., & Willekens, M. (2008) they examined the determinants of the level of disclosure on corporate governance practices among European listed companies in the time period preceding the adoption of the European Union recommendations and action plan. The results of the study supported theoretical arguments that companies

should disclose corporate governance information in order to reduce information asymmetry and agency costs stemming from the separation between ownership and control, and to improve investor confidence in the reported accounting information. The study suggested various avenues for future research on corporate governance.

Paananen, M. (2008) examine by the research whether the quality of financial reporting has increased in Sweden after the adoption of IFRS in 2005. Results suggest that there has been no increase in financial reporting quality over the two first years after the adoption. On the contrary, Research find some indications of a decrease in financial reporting quality measured as smoothing of earnings, timely loss recognition, and value relevance.

Cormier, D., Aerts, W., Ledoux, M. J. & Magnan, M. (2009) they investigated the impact of precision attribute of social and human capital disclosure on information asymmetry. They provided evidence on how the stock market reacts to different levels of information precision. Overall, results suggested that quantitative disclosure should reduce share price volatility. They suggested that firms should take into account ultimate costs and benefits to shareholders when determining precision attribute of their disclosure. Finally, their results suggested that efficient governance leads to more disclosure.

Miller and Bahnson (2010) explained that the purpose of accounting theories was to ensure better accounting practice. In pursuit of this, a normative accounting framework used to search for practices that should be used instead of describing practices that are actually used. They argued that accounting and reporting should be prescriptive because pragmatic considerations contaminate them rather than improve

them.

Houqe, Muhammad N. Zijl, Tony van. (2010) this study examines the effects of mandatory IFRS adoption and investor protection on the quality of accounting earnings in forty-six countries around the globe. The results suggest that earnings quality increases for mandatory Standards adoption when a country's investor protection regime provides stronger protection. This study extends the current literature that shows that accounting practices are influenced by country-level macro settings. The results highlight the importance of investor protection for financial reporting quality and the need for regulators to design mechanisms that limit managers' earnings management practices.

Sharma, N. (2013) studied on theoretical framework for corporate disclosure research. He discussed the theoretical framework in view of corporate disclosure. He explained the general nature and types of theories. He concluded that there were differences in approaches and interpretation.

Kavitha, D. (2014) examined the discretionary disclosure practices listed firm in India and the impact of internal corporate governance mechanisms on the extent of discretionary disclosures. The study carried out with a sample of 128 firms over a five year period from2006 to 2010 financial year. The study found that the discretionary disclosure of the sample firm were relatively low. The result of study revealed that the extent of discretionary disclosure of Indian firms has significantly in all categories of disclosure except the financial disclosure and the human resource disclosure.

Chopra, Meenakashi. (2015) examined the practices of corporate governance attributes in banking sector and how they adhere to corporate governance practices through primary and secondary research with the help of Corporate Governance Index prepared for both public and private sector banks. It was a qualitative analysis that reflects the prevalence of corporate governance practices in Indian banking

sector. The outcome of secondary research analysis has established the fact that good corporate governance is a reality and Indian banking sector has left no stone unturned to achieve this. Corroborating this outcome of secondary research, primary research was aimed at to draw significant insight into it. The outcome of primary research also reflected the sheer sincerity of senior bank's executive to take this mission forward to the zenith of success.

Mahendra, D. and Patil, D. (2015) they examined implementation of converged Indian Accounting Standards. The need is to have a systematic procedure for first time implementation of the newly issued converged Indian Accounting Standards. Corporate houses need to gear themselves for continuous updating.

Research Gap

Research gap is a research question or problem which has not been answered appropriately. It is a blank space among different researches, which has to be filled by new research.

In past research studies in arena of corporate financial disclosure, researchers has investigated the manner of disclosure in various corporate sectors like as cement industries, oil, gas and petrol industries, and plastic industries etc. Some researcher has presented features of research. Another researcher has investigated on social and environmental disclosure. Secondary Indian Accounting Standards has issued in 1977 first time by board of Indian accounting standard, but there has no any research to check variations between their theories and actual follow-up till now. Through this research, Efforts may be executed to check these variations and their ill-effects on stakeholder's interests. Accounting standards has also some limitation, if all the accounting standards would be mandatory for all the type of corporate concern, than how they may be benefited for government and all the

related stakeholders. This phenomenon will be rigorously studied in this research.

Hypothesis

On the basis of data collection, the researcher identified the following broader hypothesis for this research study.

H_{01} -There is no significant association between adoption of Indian Accounting Standards and their theoretical aspects.
H_{02} - There is no transparency among financial disclosure presented by corporate concerns.

H_{03} –The corporate sector does not provide the correct financial information to different stakeholders.

Research Methodology

The research methodology is the general pattern of organizing the procedure for collecting valid and reliable data for an investigation. It gives a detailed description of the research procedures that are followed during the investigation. It is a systematic process dealing with identifying problem, collecting data, analyzing these data and reaching at certain conclusion either in the form of solution towards the problem concerned or certain generalization for some theoretical formulation. This research study will be based on the secondary data derived from the annual financial disclosure presented by corporate sector. Data relating to history, growth and development of industries will be collected from

the books, journals related to industries and published paper, reports and article from the various newspapers, bulletins published by the industries and websites. Field survey will also be conducted to get realistic view of information.

As there can be various types of data of sample companies hence, simple random sampling will be useful and will provide for satisfactory results. Random sampling is also more reliable than other sampling method.

Research design -The Research design for this study will be descriptive as well as analytical. It will be carried out the fulfilling desired objectives and will collect the large number of data from the selected corporate sectors.

Sample size- For fulfilling the objective of study, 100 National and multinational companies of different sector will be included for research such as Cement, Gas & Oil, zinc, Automobiles, cotton industries etc.

Method of data collection- The Data will be collected from the primary and secondary sources. Primary data will be collected with the help of questionnaire. That will be served to the selective corporate sector on the basis of simple random sampling. The questionnaire will be served to 100 respondents. Secondary data in view of corporate disclosures will be collected with the help of annual reports, websites of corporate sector, journals, magazines and newspapers.

Statistical and presentation tools- For the data analysis, various statistical tools like- average, percentages, F-test, Chi-square and other statistical tools will be used for analysis and to test the hypothetical relationship among different variables. For the presentation of data, various charts and graph will be also being executed.

Sampling Technique- In Simple random technique, each member of the population has an equal chance of being selected as subject. The entire process of sampling in a single step with each subject selected independently of the other members of the population. In this research, there will be large numbers of item, so other sampling techniques will not produce better results in view of the population. By studying the corporate financial disclosure and accounting standards of selected companies, there will be numerous mathematical equations and information, so simple random technique will be used and that will produce better results.

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REPORTS

Memorandum of Association and Article of Association of various corporate sectors.

Annual reports of various companies

Audit reports of corporate sectors

Name & Signature of Candidate

Outline Approved:

Supervisor